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AND TECHNOLOGY FOR DEVELOPMENT
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ADOPTION OF THE REPORT OF THE COMMITTEE

Draft report

Addendum

Rapporteur: Mr. Mahbub KABIR (Bangladesh)

(Chapter)

FINANCING SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

(Agenda item 4)

1. The officer-in-charge of the Centre for Science and Technology for Development introduced the agenda item and document A/CN.11/1991/3. He recalled the agreement reached at the Vienna Conference in 1979 on the establishment of a long-term, self-sustaining financing system and the failure of intergovernmental negotiations for nearly a decade to establish such a system. The decision of the Committee four years ago to transfer the fund for science and technology to the United Nations Development Programme (UNDP) was in the expectation that it might attract stronger donor support. As implicitly stated in General Assembly resolution 44/14, it no longer appeared possible that a separate and self-sustaining single multilateral fund would be established on a viable basis. It was in this context that in resolution 44/14 the General Assembly requested an examination of the possibility of organizing a coalition of resources. The current situation was that in spite of the emergence of the concept of endogenous capacity-building as a major developmental objective, the sources of funding for science and technology in general and, in particular, for capacity-building were diffuse and fragmented, with the result that the international community was unable to impart momentum to this crucial process.

2. Clearly, the officer-in-charge continued, there was a need for new ideas on how to finance the scientific and technological needs of developing countries, especially for endogenous capacity-building. The bulk of resources should continue to come from domestic sources, which required appropriate policy adjustments by developing countries, particularly by inducing the participation of the private sector through tax and other incentives. Bilateral resources, he observed, constituted the bulk of national support for science and technology and these resources should be targeted more directly towards endogenous capacity-building. Multilateral resources, although relatively modest, were critical and catalytic and provided an important channel for obtaining access to modern technologies. Multilateral support for science and new technologies was also diffused and, given the nature of science and technology, and plurality within and outside the United Nations system, it was neither possible nor desirable to continue efforts to consolidate all of these resources. An equal imperative was that a more organized, larger pool of funds was necessary to support endogenous capacity-building in developing countries.

3. Following the directions in General Assembly resolution 44/14, with the assistance of the Advisory Committee on Science and Technology for Development, the Centre had formulated some preliminary ideas on ways and means of organizing the coalition of resources. These were contained in the report of the Secretary-General. The Centre was continuing its work in this respect in cooperation with other funding bodies such as the Swedish Agency for Research Cooperation with Developing Countries (SAREC). Based on the decision to be taken by the Committee, the Centre would continue this work, consult with other bilateral and multilateral funding bodies and prepare a more elaborate and detailed blue-print. There were, however, encouraging signs that the donor community itself was more receptive to some of these ideas, as indicated in the recent report of the Organisation for Economic Cooperation and Development (OECD) on an Expert Meeting on Science and Technology. The Intergovernmental Committee could provide the needed political impulse and substantive guidance in the furtherance of this process.

4. The representative of the United Nations Fund for Science and Technology for Development, in his statement, referred to the changes in the situation of the Fund since 1989, the priority areas of its work, the recent situation and future prospects. A major problem since the Vienna Conference had been the gap between harsh realities and lofty expectations. The Fund had been able to establish a close working relationship with the Centre and, by consolidating its activities with the revolving fund for natural resources exploration, it had been possible to save about 40 per cent of the administrative costs, bringing down the overhead charges to 11 per cent. The five priority areas chosen by the Fund have been science and technology policies, including management of technology; technological innovation and entrepreneurship; technological information; quality control; and new and renewable sources of energy. The Fund also acted as a focal point for energy in UNDP, which was funded by the Organization of Petroleum Exporting Countries (OPEC). All the core resources were contributed by developing countries, although three fourths of its resources came from non-core contributions, totalling

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\$8-\$10 million per year. As for the future, there was clearly a need for explicit funding of science and technology activities, and the idea put forward in the report of the Secretary-General on a coalition of resources deserved to be supported and implemented.

5. Several representatives stated that the report of the Secretary-General on this topic was of a high quality, analytical and forward-looking. It explored possibilities and alternatives and provided a concrete and substantive basis for deliberation by the Committee. Adequate financing was the ultimate test to the commitment to science and technology. There existed now a small window of opportunity to assemble a critical mass of resources for financing science and technology. The concept of endogenous capacity-building should also be included in the sectoral adjustment policies of the International Monetary Fund (IMF) and other bodies, since the current adjustment policies were proving to be harmful to the process of endogenous capacity-building in some developing countries. It was clear that the high expectations of the Vienna Conference on the possibility of creating a large, self-sustaining fund had not materialized and were not likely to materialize in the near future.

6. The conclusion of the Secretary-General's report, that no single source, bilateral or multilateral, could fill the existing void and that, given the reality of diminishing resources, only through a pooling of funds of like-minded donors could a critical mass of resources be mobilized, was shared by several representatives. An organized coalition of resources was critical to the challenge of stimulating the development of endogenous science and technology capacities of developing countries. A representative of a developing country observed that the possibility of such a coalition performing the function of a revolving fund, which would purchase technologies, particularly in the public domain from developed countries, sell them to the developing countries, recoup the expenses and use them for future activities should be considered. There was a need for both a North-South cooperation as well as South-South cooperation and in particular, regional cooperation, he continued. Venture capital funds were another means of financing science and technology. According to a recent OECD report, the aid given to developing countries in 1990 was in effect, cut in half, constituting about 5 per cent of the military expenditures of those countries. Domestic efforts to finance science and technology, particularly endogenous capacity-building, were by themselves inadequate in the absence of strong external financial support.

7. The following further comments were made by several representatives of developing countries. Mobilizing adequate financial resources for science and technology was one of the international communities' major challenges at the present time. Since the United Nations Fund had been unable to attract the critical mass of core resources, it was crucial that other promising avenues should be explored. The current financial constraints faced by many developing countries were greatly exacerbating the science and technology gap with the developed countries. It was imperative therefore to seek a more effective coalition of resources from the United Nations system and from the

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other multilateral, regional and bilateral sources. As observed in the report of the Secretary-General, in the pursuit of a new financing concept, it was important not to lose sight of the lessons of the past concerning the United Nations Fund for Science and Technology for Development. The principle of universal support, especially encompassing all major donor countries was important, as also the need to promote the confidence of the donor community by more clearly defining the focus of the various programmes. The other pitfalls outlined in paragraph 50 of the report also needed to be borne in mind. The new modality of financing science and technology should focus on endogenous capacity-building based on commonly accepted and clearly defined criteria. Effective coordination between donor countries, as well as between the recipient institutions, should be ensured.

8. In view of the continuing debt crisis and the net transfer of resources from developing countries to developed countries, it was simply unrealistic to regard developing countries, particularly the least developed countries, as being responsible for the inability to mobilize domestic resources for the implementation of the important concept of endogenous capacity-building. For most of those countries, sustaining a subsistence level of standard of living was a daily struggle. The little that such countries could do towards endogenous capacity-building was itself a great sacrifice that could be boldly pursued only with a clear indication that such domestic resources would be supplemented by sufficient external assistance. While it was true that the involvement of the widest possible stakeholders could facilitate the implementation of science and technology policies, it was necessary to stress that unless those efforts were substantially supplemented by external resources, more frustrations were likely to be experienced by the developing countries. In Africa, an African Charter for Popular Participation in Development and Transformation had been established and endorsed by the General Assembly in resolution 45/178 C, and it had been hoped that on issues concerning science and technology for development, the international community would provide necessary assistance. In dealing with the activities of the United Nations Fund, it would have been more helpful if a measure of quantification had also been introduced. It would also be useful to be informed of the amount of resources expected to be spent on the projects listed in the annex to the Secretary-General's report.

9. Representatives supported the new financing concept of coalition of resources. Although the United Nations system as a whole had not been successful in attracting the necessary resources of science and technology, the spirit of the Vienna Conference expressed in the concept of concrete programmes was mutually beneficial and would optimize scarce resources. Strict separation had often lead to underutilization, waste and to a flow of external resources in support of activities that were demonstrably not of the highest domestic priority. Provision of domestic resources was also indicative of the firm commitment on the part of recipient countries, which in turn could give a sense of encouragement to external donors that the development assistance was meaningful and target-oriented. In the proposed new arrangement for financing science and technology, the least developed countries should be treated differently and a nominal internal contribution

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from these countries, if any, should be sufficient. External donors should be less assertive on their own assistance criteria and more responsive to the prioritized projects of recipient countries. As proposed in the Secretary-General's report, the World Bank should be urged to consider its support for the efforts of developing countries to enhance their endogenous capacity in science and technology as a core element of its policies. This should apply also to regional development banks. The representatives of developing countries on the governing boards of those banks should propose such a policy shift and take the lead in demonstrating the high priority given to science and technology, and affirm that they were prepared to make appropriate adjustments in the allocation of resources. Efforts of the United Nations Fund, in the face of financial constraints, to enhance science and technology capacity in developing countries were commendable. It was gratifying that the Centre and the Fund were working closely together to support endogenous capacity-building in science and technology, which was of crucial importance for sustainable long-term development of developing countries.

10. The representative of a developed country stated that although bilateral aid constituted a major part of external assistance and would continue to do so in the future, multilateral aid was unlikely to rise above the current levels. It was necessary to adapt a more realistic approach towards coordinating aid as a whole. In addition to regular consultations between donors and recipients, the proposal to establish an informal association of donors to mobilize the coalition of resources for endogenous capacity-building was worth pursuing. There was also a growing recognition in the donor community of the need for coordination of aid and a strategic shift towards capacity building as indicated in the report of a recent OECD meeting on science and technology.
